

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **First American Bank, Jewell, Iowa**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 12, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S RATING: This institution is rated Satisfactory.

First American Bank's performance is deemed to be satisfactory based upon the following factors: a loan-to-deposit ratio consistent with local peer and UBPR lending levels; a strong performance of lending to borrowers of different income levels, and to businesses and farms of different sizes and that the majority of loan originations are within the bank's assessment area.

The following table indicates the performance level of **First American Bank** with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST AMERICAN BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans	No low- or moderate-income geographies contained within the assessment area.		
Response to Complaints	No complaints were received since the previous examination		

DESCRIPTION OF INSTITUTION

First American Bank, with total assets of \$29.7 million as of June 30, 1996, is a subsidiary of First American Bank Group, a four-bank holding company located in Fort Dodge, Iowa. The bank operates its main office in Jewell, Iowa, approximately 55 miles north of Des Moines; the sole branch office is in Ellsworth, Iowa, three miles east of Jewell. The main office offers general deposit products and services, as well as installment, single payment, real estate, agricultural, and commercial loan products; only deposit products and services are available at the branch. There are no apparent factors relating to the bank's prior performance, legal impediments, size and financial capacity, or local economic conditions that would prevent the bank from meeting its community's credit needs. The bank's primary competitors are First State Bank of Webster City, Iowa, with offices in Stanhope and Webster City; Webster City Federal Savings Bank, Webster City, Iowa; Randall-Story State Bank, Story City, Iowa, with offices in Randall and Story City; and Story County Bank & Trust, Story City, Iowa.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank has defined its assessment area as block numbering area (BNA) 9602, a middle-income BNA that contains both the main office and its sole branch location, within Hamilton County. The assessment area is largely agricultural, and contains the communities of Jewell, Ellsworth, and Randall, the largest of which is Jewell (population 1,106). The assessment area's proximity to the larger communities of Ames and Webster City provide employment opportunities for local residents. Even so, the area's employment and economic growth are primarily dependent upon the agricultural industry. Major employers in the area include: Uncle B's Bakery, Inc., Ellsworth (bagels); Frigidaire Co., Webster City (laundry equipment); and Van Diest Supply Co., Webster City (farm chemicals). Iowa State University and the Iowa Department of Transportation are the large employers in Ames.

Unemployment rates for August, 1996 reflect a strong local and statewide economy as indicated by the State of Iowa's seasonally-adjusted unemployment rate of 3.0% and Hamilton County's rate of 2.0%, compares to figures from August, 1995 of 3.5% for the State of Iowa and 3.2% for Hamilton County.

One of the indications of strength in the local farm economy is the increase in farmland values. Iowa State University's November, 1995 annual farmland value survey indicated that Hamilton County farmland is valued at \$2,026 per acre, up 7.1% over 1994 figures; Hamilton County is only one of three counties in Iowa with average farmland values over \$2,000 per acre. Record grain prices earlier this year, while welcomed by grain farmers, increased the cost of feeding livestock. Cool summer growing conditions and the prospect of an early frost are concerns at this time.

The assessment area's population is 3,593, with minority residents comprising 2.2% of the total population, according to 1990 census data; there are no designated minority areas within or

adjacent to the bank's assessment area. Hamilton County's median family income of \$31,069 compares favorably with the State of Iowa nonmetropolitan median income of \$29,303. Of the 1,069 families in the assessment area, 13.2% are designated as low-income families and 15.9% are designated as moderate-income families. The assessment area contains 1,450 housing units, of which 65.2% are owner-occupied. Discussions with community contacts indicate that although approximately 20 new homes were built in Jewell since 1990, the assessment area has a continuing need for housing, due to population increases in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Management has developed adequate policies, procedures, and training programs to support fair lending activities. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

Loan-to-Deposit Ratio

A review of the bank's Consolidated Report of Condition for the previous six quarters revealed an average loan-to-deposit (LTD) ratio of 58.97%. According to the Uniform Bank Performance Report dated March 31, 1996, the bank's loan-to-deposit ratio was consistent with the peer group's loan-to-deposit ratio of 64.16%.

The following chart illustrates the loan-to-deposit ratio comparison between the bank and its local competitors, according to the *McFadden American Financial Directory*:

Loan-to-Deposit Ratios - First American Bank and Competitors				
Bank Name and Location	Asset Size (in thousands)	LTD Ratio Fall 1995	LTD Ratio Spring 1996	Average LTD Ratio
First State Bank - Webster City	\$92,279	71.31%	63.87%	67.59%
Webster City Federal Savings Bank - Webster City	\$96,646	68.91%	73.11%	71.01%
Randall-Story State Bank - Story City	\$51,413	55.64%	57.94%	56.79%
Story County Bank and Trust - Story City	\$81,148	59.68%	57.34%	58.51%
First American Bank - Jewell	\$30,165	58.64%	56.40%	57.52%

Analysis of the loan to deposit ratio of First American Bank indicates that the ratio is deemed to be satisfactory and that the bank adequately meets the agricultural, commercial and consumer credit needs of its community.

Lending in Assessment Area

The examination loan sample was reviewed to determine the proportion of lending activity within the bank's assessment area, as noted in the following chart:

EXAMINATION LOAN SAMPLE			
LOAN TYPE	TOTAL SAMPLED	WITHIN ASSESSMENT AREA	PERCENT OF TOTAL
Installment	12	9	75.00%
Single Payment	10	7	70.00%
Real Estate	10	9	90.00%
Commercial/Agricultural	12	6	50.00%
Total Approved Loans	44	31	70.45%

The preceding chart illustrates that a substantial majority of sampled loans were originated within the bank's assessment area.

A listing of all commercial, consumer and agricultural originations for the six month period ending June 30, 1996 was provided by bank staff. A total of 320 loans were reviewed; the percentage of loans within the assessment area decreased slightly to 67.81%, as noted in the following chart:

FIRST AMERICAN BANK ORIGINATIONS - 1/01/96 TO 6/30/96			
LOAN TYPE	TOTAL ORIGINATIONS	WITHIN ASSESSMENT AREA	PERCENT OF TOTAL
Consumer	83	46	55.42%
Commercial	38	25	65.79%
Real Estate	8	6	75.00%
Agricultural	180	134	74.44%
Commercial Real Estate	8	4	50.00%
Agricultural Real Estate	3	2	66.67%
Total Approved Loans	320	217	67.81%

The bank's lending meets the requirements for satisfactory performance, as the bank is focussing its lending efforts within its assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The same listing of all 320 commercial, consumer and agricultural originations for the six month period ending June 30, 1996, was again reviewed to determine the distribution of loans among borrowers of different income levels. Bank lending staff manually updated this listing to include the income level of borrowers (a new automated geographic and income level tracking system was implemented on June 1, 1996). The following table summarizes the results of the analysis:

FIRST AMERICAN BANK CONSUMER ORIGINATIONS - 1/01/96 TO 6/30/96				
LOAN TYPE	LOW-INCOME \$/Number	MODERATE-INCOME \$/Number	MIDDLE-INCOME \$/Number	UPPER-INCOME \$/Number
Installment/Single Payment	52,386/13	43,993/22	78,806/21	245,083/26
Real Estate	0/0	26,000/1	82,000/2	141,980/4
Total Originations	52,386/13	69,993/23	160,806/23	387,063/30

As illustrated above, 14.61% (13) of the loans in the sample were originated to low-income individuals and 25.84% (23) were originated to moderate-income individuals; the bank's performance exceeds the requirements for satisfactory performance.

All commercial and agricultural loan originations for the six month period ending June 30, 1996 were reviewed to determine the bank's performance in lending to businesses and farms of different sizes. Small farm loans are those with original amount of \$500,000 or less, and small business loans are those of \$1,000,000 or less. Of the 218 commercial and agricultural loans in the sample, only 12 (5.50%) were for amounts greater than \$100,000. This evidences the bank's commitment to the credit needs of small farm and small business owners.

The bank's loan penetration among borrowers of different incomes and businesses of different sizes exceeds the standards for satisfactory performance, considering the demographics of the assessment area, the local business and agricultural economy, and based upon the bank's significant lending to small business and small farm owners, and to low- and moderate-income residents.

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans is not applicable as there are no low- or moderate-income BNAs within the assessment area.

Response to Substantiated Complaints

No complaints were received by the institution regarding CRA performance since the previous examination.